

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: FRONTIER COMMUNICATIONS OF IOWA, INC.	DOCKET NO. TF-00-280 (RPU-95-12)
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**ORDER GRANTING MOTION, APPROVING SETTLEMENT AGREEMENT, AND
CANCELING HEARING**

(Issued March 6, 2001)

On November 6, 2000, Frontier Communications of Iowa, Inc. (Frontier-Iowa), filed a proposed tariff with the Utilities Board (Board) designed to adjust rates in compliance with its price regulation plan. The proposed tariff has been identified as Docket No. TF-00-280. The proposed tariff reflected a reduction in basic communications services (BCS) rates by 1.1 percent based upon a deferred decrease from year four of the plan and an increase for year five of the plan. Frontier-Iowa filed its calculation for year four on November 3, 1999, and that calculation showed a required decrease of 1.3 percent. That decrease was deferred as authorized by Iowa Code § 476.97(6). Frontier-Iowa calculated an increase of 0.2 percent for year five of the plan. The inflation rates were calculated using the estimates for the third quarter of each year.

On November 22, 2000, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an objection to the proposed tariff. Consumer Advocate contended that Frontier-Iowa had miscalculated the year five inflation rate

by not using the most recently available Gross Domestic Product Price Index (GDPPI). Consumer Advocate states that the most recent GDPPI rates are in the November 14, 2000, hard copy edition of the Survey of Current Business (SCB) published by the U.S. Department of Commerce. Consumer Advocate asserts that the most recent rates result in a required decrease of 0.3 percent for year five, which must either be combined with the deferred decrease from year four or deferred for a year.

On December 29, 2000, the Board issued an order finding that the most recent GDPPI was the one published on the U.S. Department of Commerce web site on November 30, 2000, and using those values Frontier-Iowa was entitled to an increase of 0.2 percent for year five of the plan. The Board then ordered Frontier-Iowa to reduce selected basic communications services rates as proposed by 1.1 percent.

On January 12, 2001, Consumer Advocate filed an application for rehearing stating that the Board had used the wrong GDPPI in calculating the inflation rate for year five of Frontier-Iowa's price regulation plan. Specifically, Consumer Advocate asserted that the year five-inflation rate should have resulted in a decrease rather than an increase in Frontier-Iowa rates and the docket should have been set for hearing.

On February 12, 2001, the Board issued an order scheduling an evidentiary hearing to resolve the material issues of fact in this docket. The hearing was

originally set for March 7, 2001, but was rescheduled for March 6, 2001, by Board order.

On February 23, 2001, Consumer Advocate and Frontier-Iowa filed a "Joint Motion For Approval Of Unanimous Settlement Agreement." The settlement agreement purports to resolve all of the outstanding issues of material fact that the Board had set for hearing.

In the agreement Frontier-Iowa agrees to reduce the rate for each BCS by 1.1 percent to reflect inflation and productivity experienced for the 4th and 5th years of operation under the price regulation plan. Frontier-Iowa then agrees to calculate future inflation rates under the renewed price plan using the GDPPI from Table 7.1 of the October edition of SCB, using GDPPI values for the 2nd quarter of the current year and 2nd quarter of the previous year. Frontier-Iowa agrees to file its calculations by December 1 of each year and to reduce rates across-the-board in each year in which a decrease is required under the price plan.

The Board has considered the settlement agreement and finds that it resolves all of the outstanding issues of material fact. The agreement keeps the 1.1 percent decrease already put into effect by Frontier-Iowa on December 31, 2000. The agreement then establishes which GDPPI is to be used by Frontier-Iowa in calculating future inflation factors. The agreement specifies the use of the October edition of the SCB. The agreement also requires Frontier-Iowa to file its calculation by December 1 of each year and that any required decrease will be applied across-the-board to all BCS rates.

The Board finds that the settlement provides a reasonable resolution of the issues in light of the whole record, is consistent with the law, and is in the public interest. The 1.1 percent reduction in rates is now spread across-the-board to all BCS services and a method of calculating future inflation factors has been agreed to by the parties. This settlement in effect modifies the renewed price plan that began December 31, 2000. The Board also finds that the agreement is limited to the resolution of the issues in this docket and does not have any precedential effect on issues being addressed in the Qwest Corporation price plan hearing, Docket No. TF-00-250 or any other docket.

IT IS THEREFORE ORDERED:

1. The "Joint Motion For Approval Of Unanimous Settlement Agreement" filed by Frontier Communications of Iowa, Inc., and the Consumer Advocate Division of the Department of Justice, on February 23, 2001, is granted and the "Unanimous Settlement Agreement", is approved.
2. The evidentiary hearing scheduled for March 6, 2001, is cancelled.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper
Acting Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 6th day of March, 2001.